EXHIBIT C

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-16109

CORRECTIONS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

MARYLAND	**62-1763875**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215
(Address and zip code of principal executive office)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (615) 263-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	**New York Stock Exchange**

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or

any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.). Yes ☐ No ☒

The aggregate market value of the shares of the registrant's Common Stock held by non-affiliates was approximately $3,792,269,339 as of June 30, 2014 based on the closing price of such shares on the New York Stock Exchange on that day. The number of shares of the registrant's Common Stock outstanding on February 17, 2015 was 116,790,636.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, currently scheduled to be held on May 14, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K.

CORRECTIONS CORPORATION OF AMERICA
FORM 10-K
For the fiscal year ended December 31, 2014

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains statements that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations of forecasts of future events. All statements other than statements of current or historical fact contained in this Annual Report, including statements regarding our future financial position, business strategy, budgets, projected costs, and plans, and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "projects," "will," and similar expressions, as they relate to us, are intended to identify forward-looking statements. These forward-looking statements are based on our current plans and actual future activities, and our results of operations may be materially different from those set forth in the forward-looking statements. In particular these include, among other things, statements relating to:

- general economic and market conditions, including the impact governmental budgets can have on our per diem rates and occupancy;
- fluctuations in our operating results because of, among other things, changes in occupancy levels, competition, increases in costs of operations, fluctuations in interest rates, and risks of operations;
- changes in the privatization of the corrections and detention industry and the public acceptance of our services;
- our ability to obtain and maintain correctional facility management contracts, including, but not limited to, sufficient governmental appropriations, contract compliance, effects of inmate disturbances, and the timing of the opening of new facilities and the commencement of new management contracts as well as our ability to utilize current available beds and new capacity as development and expansion projects are completed;
- increases in costs to develop or expand correctional facilities that exceed original estimates, or the inability to complete such projects on schedule as a result of various factors, many of which are beyond our control, such as weather, labor conditions, and material shortages, resulting in increased construction costs;
- changes in government policy and in legislation and regulation of the corrections and detention industry that affect our business, including, but not limited to, California's utilization of out-of-state private correctional capacity, and the impact of any changes to immigration reform and sentencing laws (Our policy prohibits us from engaging in lobbying or advocacy efforts that would influence enforcement efforts, parole standards, criminal laws, and sentencing policies.);
- our ability to meet and maintain qualification for taxation as a real estate investment trust, or REIT; and
- the availability of debt and equity financing on terms that are favorable to us.

Any or all of our forward-looking statements in this Annual Report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may

affect our financial condition, results of operations, business strategy, and financial needs. They can be affected by inaccurate assumptions we might make or by known or unknown risks, uncertainties and assumptions, including the risks, uncertainties and assumptions described in "Risk Factors."

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Annual Report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Our forward-looking statements speak only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Annual Report.

PART I.

ITEM 1. BUSINESS.

Overview

We are the nation's largest owner of privatized correctional and detention facilities and one of the largest prison operators in the United States. As of December 31, 2014, we owned or controlled 52 correctional and detention facilities and managed an additional 12 facilities owned by our government partners, with a total design capacity of approximately 84,500 beds in 19 states and the District of Columbia.

We are a Real Estate Investment Trust, or REIT, specializing in owning, operating, and managing prisons and other correctional facilities and providing residential, community re-entry, and prisoner transportation services for governmental agencies. In addition to providing fundamental residential services, our facilities offer a variety of rehabilitation and educational programs, including basic education, faith-based services, life skills and employment training, and substance abuse treatment. These services are intended to reduce recidivism and to prepare offenders for their successful re-entry into society upon their release. We also provide or make available to offenders certain health care (including medical, dental, and mental health services), food services, and work and recreational programs.

We are a Maryland corporation formed in 1983. Our principal executive offices are located at 10 Burton Hills Boulevard, Nashville, Tennessee, 37215, and our telephone number at that location is (615) 263-3000. Our website address is www.cca.com. We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), available on our website, free of charge, as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission, or the SEC. Information contained on our website is not part of this Annual Report.

We began operating as a REIT for federal income tax purposes effective January 1, 2013. Since that date, we have provided correctional services and conducted other operations through taxable REIT subsidiaries, or TRSs. A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax and certain qualification requirements. Our use of TRSs enables us to comply with REIT qualification requirements while providing correctional services at facilities we own and at facilities owned by our government partners and to engage in certain other operations. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

As a REIT, we generally are not subject to federal income taxes on our REIT taxable income and gains that we distribute to our stockholders, including the income derived from providing prison bed capacity and dividends we earn from our TRSs. However, our TRSs will be required to pay income taxes on their earnings at regular corporate income tax rates.

As a REIT, we generally are required to distribute annually to our stockholders at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains). Our REIT taxable income will not typically include income earned by our TRSs except to the extent our TRSs pay dividends to the REIT. Prior to our REIT reorganization, we operated as a C-corporation for federal income tax purposes. A REIT is not permitted to retain earnings and profits accumulated during the periods it was taxed as a C-corporation, and must make one or more distributions to stockholders that equal or exceed those accumulated amounts. To satisfy this requirement, on April 8, 2013, our

Board of Directors declared a special dividend to stockholders of $675.0 million, or $6.66 per share of common stock to distribute our accumulated earnings and profits attributable to tax periods ending prior to January 1, 2013. We paid the special dividend on May 20, 2013 to stockholders of record on April 19, 2013. The special dividend was composed of cash and shares of our common stock, at each stockholder's election, subject to a cap on the total amount of cash equal to 20% of the aggregate amount of the special dividend, or $135.0 million. The balance of the special dividend was paid in the form of 13.9 million additional shares of our common stock.

Operations

Management and Operation of Correctional and Detention Facilities

Our customers consist of federal, state, and local correctional and detention authorities. Federal correctional and detention authorities primarily consist of the Federal Bureau of Prisons, or the BOP, the United States Marshals Service, or the USMS, and the U.S. Immigration and Customs Enforcement, or ICE. Payments by federal correctional and detention authorities represented 44% of our total revenue for each of the years ended December 31, 2014, 2013, and 2012.

Our customer contracts typically have terms of three to five years and contain multiple renewal options. Most of our facility contracts also contain clauses that allow the government agency to terminate the contract at any time without cause, and our contracts are generally subject to annual or bi-annual legislative appropriations of funds.

We are compensated for providing prison bed capacity and correctional services at an inmate per diem rate based upon actual or minimum guaranteed occupancy levels. Occupancy rates for a particular facility are typically low when first opened or immediately following an expansion. However, beyond the start-up period, which typically ranges from 90 to 180 days, the occupancy rate tends to stabilize. For the years 2014, 2013, and 2012, the average compensated occupancy of our facilities, based on rated capacity, was 84%, 85%, and 88%, respectively, for all of the facilities we owned or managed, exclusive of facilities that have been presented as discontinued operations.

Operating Procedures

Pursuant to the terms of our customer contracts, we are responsible for the overall operations of our facilities, including staff recruitment, general administration of the facilities, facility maintenance, security, and supervision of the offenders. We are required by our customer contracts to maintain certain levels of insurance coverage for general liability, workers' compensation, vehicle liability, and property loss or damage. We are also required to indemnify our customers for claims and costs arising out of our operations and, in certain cases, to maintain performance bonds and other collateral requirements. Approximately 90% of the eligible facilities we operated at December 31, 2014 were accredited by the American Correctional Association Commission on Accreditation. The American Correctional Association, or ACA, is an independent organization comprised of corrections professionals that establishes accreditation standards for correctional and detention institutions.

We are committed to equipping offenders in our care with the services, support, and resources necessary to return to the community as productive, contributing members of society. To that end, we provide a wide range of evidence-based re-entry programs and activities at our facilities. At most of the facilities we manage, offenders have the opportunity to enhance their basic education from literacy through the acquisition of the high school equivalency diploma endorsed by the respective state and, in some cases,

postsecondary educational achievements. In a number of our facilities, and in conjunction with the Mexican government, we offer an adult education curriculum recognized by a number of nations to which these offenders may return.

In addition, we offer a broad spectrum of vocational/technical education opportunities to equip individuals with marketable job skills. Our trade programs are certified by the National Center for Construction Education and Research, or NCCER. NCCER establishes the curriculum and certification for over 4,000 construction and trade organizations. Graduates of these programs enter the job market with certified skills that significantly enhance employability. For those with assessed substance use disorder needs, we offer evidence-based treatment programs such as the Residential Drug Addictions Treatment Program, or RDAP, with proven clinical outcomes. Our life skills programs prepare individuals for life after incarceration by teaching offenders how to successfully conduct a job search, how to manage their budget and financial matters, parenting skills, and relationship and family skills. Equally significant, we offer cognitive behavioral programs aimed at changing anti-social attitudes and behaviors of offenders, with a focus on altering the level of criminal thinking of offenders. Our Victim Impact Programs, available at a number of our facilities, seek to educate offenders on the negative effects upon others resulting from their criminal conduct. At a number of our facilities, we provide faith-based programs to those seeking spiritual growth and character development. Our facilities offer opportunities for religious worship and study for a variety of faith groups and belief systems. Across the country, these programs incorporate the use of thousands of volunteers, along with our staff, who assist in providing guidance, direction, and post-incarceration services to offenders. We believe that together these efforts help us achieve reductions in recidivism.

Through our community corrections facilities, we provide an array of services to offenders who are serving the last portion of their sentence while supervised in a community environment. We also offer services for alternative sentencing options that provide governmental agencies and the courts the ability to place sentenced offenders in a community corrections facility thereby allowing them the opportunity to maintain their employment. We offer housing and programs, with a key focus on employment, job readiness, and life skills, in order to help offenders successfully re-enter the community and reduce the risk of recidivism.

Outside agency standards, such as those established by the ACA, provide us with the industry's most widely accepted operational guidelines. We have sought and received accreditation for 47 of the eligible facilities we operated as of December 31, 2014.

Beyond the standards provided by the ACA, our facilities are operated in accordance with a variety of company and facility-specific policies and procedures, as well as various contractual requirements. These policies and procedures reflect the high standards generated by a number of sources, including the ACA, The Joint Commission, the National Commission on Correctional Healthcare, the Occupational Safety and Health Administration, federal, state, and local government codes and regulations, established correctional procedures, and company-wide policies and procedures that may exceed these guidelines.

Prison Rape Elimination Act, or PREA, regulations were published in June 2012 and became effective in August 2013. All confinement facilities covered under the PREA standards must be audited at least every three years to be considered compliant with the PREA standards, with one-third of each facility type operated by an agency, or private organization on behalf of an agency, audited each year. These include adult prisons and jails, juvenile facilities, lockups (housing detainees overnight), and community confinement facilities, whether operated by the Department of Justice or unit of a state, local, corporate, or nonprofit authority.

Our facilities not only operate under these established standards, policies, and procedures, but they are consistently challenged by our management to exceed them. This challenge is presented, in large part, through our extensive Quality Assurance Program. Our Quality Assurance Division, or QAD, independently operates under the auspices of, and reports directly to, our Office of General Counsel. We have devoted significant resources to meeting outside agency and accrediting organization standards and guidelines. Our QAD provides governance for all efforts by our facilities to deliver high quality services and operations, with a commitment to continuous quality improvement.

The QAD collects and analyzes performance metrics across multiple databases. Through rigorous reporting and analyses of comprehensive, comparative statistics across disciplines, divisions, business units and our company as a whole, the QAD provides timely, independently generated performance and trend data to senior management.

The QAD also employs a team of full-time auditors, who are subject matter experts from all major disciplines within institutional operations. Annually, without advance notice, these auditors conduct rigorous, on site evaluations of each facility we operate. The audit teams use highly specialized, discipline-specific audit tools, containing over 1,600 audited items across fourteen major operational areas, in this detailed, comprehensive process. The results of these on-site evaluations are used to discern areas of operational strength and areas in need of management attention. The audit findings also comprise a major part of our continuous operational risk assessment and management process. Audit teams are also made available to work with facilities in specific areas of need, such as meeting requirements of new partner contracts or providing detailed training of new departmental managers.

The QAD management team coordinates overall operational auditing and compliance efforts across all CCA facilities. In conjunction with subject matter experts and other stakeholders having risk management responsibilities, the QAD management team develops performance measurement tools used in facility audits. The management team also provides governance of the corporate plan of action process which helps to ensure swift resolution of issues identified through internal and external facility reviews. Our QAD also contracts with teams of seasoned, ACA certified correctional auditors to help ensure continuous compliance with ACA standards at accredited facilities and to help ensure that our facilities are operating at the highest possible levels. Similarly, the QAD coordinates the work of certified PREA auditors to help ensure that all facilities operate in compliance with these important regulations.

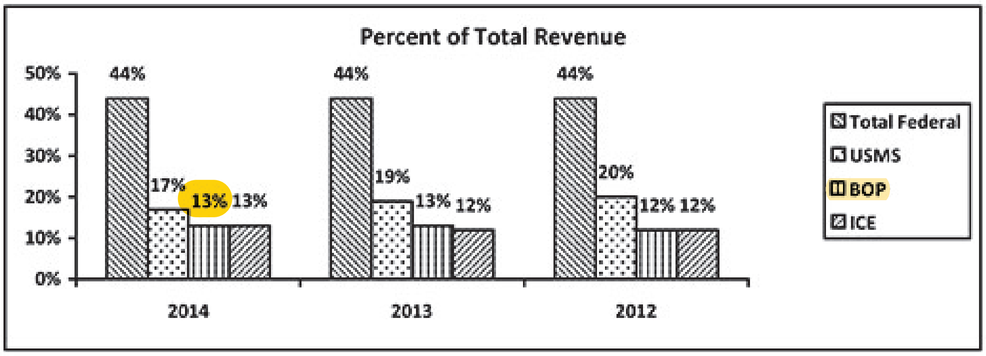
Prisoner Transportation Services

We currently provide transportation services to governmental agencies through our wholly-owned TRS, TransCor America, LLC, or TransCor. During the years ended December 31, 2014, 2013, and 2012, TransCor generated total revenue of $4.4 million, $2.7 million, and $2.5 million, respectively, or approximately 0.3% of our total consolidated revenue in 2014 and 0.2% in both 2013 and 2012. We believe TransCor provides a complementary service to our core business that enables us to respond quickly to our customers’ transportation needs.

Business Development

We are currently the nation's largest owner and provider of outsourced correctional facilities and management services. We believe we manage nearly 41% of all beds under contract with private operators of correctional and detention facilities in the United States, most of which are in facilities we own and provide to our governmental customers. We believe we own approximately 61% of all privately owned prison beds in the United States. Under the direction of our partnership development department and senior management, we market our facilities and services to government agencies responsible for federal, state, and local correctional and detention facilities in the United States. Under the direction of our strategic development department, we pursue asset acquisitions and business combination transactions.

As indicated by the following chart, business from our federal customers, including primarily the BOP, USMS, and ICE, continues to be a significant component of our business. The BOP, USMS, and ICE were the only federal partners that accounted for 10% or more of our total revenue during the last three years.



Certain of our contracts with federal partners contain "take-or-pay" clauses that guarantee the federal partner access to a minimum bed capacity in exchange for a fixed monthly payment.

Business from our state customers, which constituted 48%, 49%, and 49% of total revenue during the years 2014, 2013, and 2012, respectively, decreased 4.2% from $826.1 million during 2013 to $791.8 million during 2014. The State of California Department of Corrections and Rehabilitation, or CDCR, accounted for 14%, 12%, and 12% of total revenue for 2014, 2013, and 2012, respectively, including revenue generated under an operating lease that commenced December 1, 2013, at our California City facility. The CDCR was our only state partner that accounted for 10% or more of our total revenue during these years.

Several of our state partners are projecting modest increases in tax revenues and improvements in their budgets which has resulted in our ability to secure recent per diem increases at certain facilities. We believe the long-term growth opportunities of our business remain very attractive as certain states consider efficiency and savings as well as offender programming opportunities we can provide as a tool to reduce recidivism. Further, we expect our partners to continue to face challenges in maintaining old facilities, and developing new facilities and additional capacity which could result in future demand for the solutions that we provide.

We believe that we can further develop our business by, among other things:

- Maintaining and expanding our existing customer relationships and continuing to fill existing beds within our facilities, while maintaining an adequate inventory of available beds that we believe provides us with flexibility and a competitive advantage when bidding for new management contracts;
- Enhancing the terms of our existing contracts and expanding the services we provide under those contracts;
- Pursuing additional opportunities to purchase and manage existing government-owned facilities;
- Pursuing additional opportunities to lease our facilities to government and other third-party operators in need of correctional capacity;
- Pursuing other asset acquisitions and business combinations through transactions with non-government third parties;
- Maintaining and expanding our focus on community corrections and re-entry programming that align with the needs of our government partners; and
- Establishing relationships with new customers who have either previously not outsourced their correctional facility management needs or have utilized other private enterprises.

We generally receive inquiries from or on behalf of government agencies that are considering outsourcing the ownership and/or management of certain facilities or that have already decided to contract with a private enterprise. When we receive such an inquiry, we determine whether there is an existing need for our correctional facilities and/or services and whether the legal and political climate in which the inquiring party operates is conducive to serious consideration of outsourcing. Based on these findings, an initial cost analysis is conducted to further determine project feasibility.

Frequently, government agencies responsible for correctional and detention facilities and services procure space and services through solicitations or competitive procurements. As part of our process of responding to such requests, members of our management team meet with the appropriate personnel from the agency making the request to best determine the agency's needs. If the project fits within our strategy, we submit a written response. A typical solicitation or competitive procurement requires bidders to provide detailed information, including, but not limited to, the space and services to be provided by the bidder, its experience and qualifications, and the price at which the bidder is willing to provide the facility and services (which services may include the purchase, renovation, improvement or expansion of an existing facility or the planning, design and construction of a new facility). The requesting agency selects a firm believed to be able to provide the requested bed capacity, if needed, and most qualified to provide the requested services and then negotiates the price and terms of the contract with that firm.

Facility Portfolio

General

Our facilities can generally be classified according to the level(s) of security at such facility. Secure facilities are facilities having cells, rooms, or dormitories, a secure perimeter, and some form of external patrol. Non-secure facilities are facilities having open housing that

inhibit movement by their design. Minimum security facilities have open housing within an appropriately designed and patrolled institutional perimeter. Medium security facilities have either cells, rooms or dormitories, a secure perimeter, and some form of external patrol. Maximum security facilities have cells, a secure perimeter, and external patrol. Multi-security facilities have various areas encompassing minimum, medium or maximum security.

Our facilities can also be classified according to their primary function. The primary functional categories are:

- *Correctional Facilities*. Correctional facilities house and provide contractually agreed upon programs and services to sentenced adult prisoners, typically prisoners on whom a sentence in excess of one year has been imposed.
- *Detention Facilities*. Detention facilities house and provide contractually agreed upon programs and services to (i) prisoners being detained by ICE, (ii) prisoners who are awaiting trial who have been charged with violations of federal criminal law (and are therefore in the custody of the USMS) or state criminal law, and (iii) prisoners who have been convicted of crimes and on whom a sentence of one year or less has been imposed.
- *Community Corrections*. Residential re-entry facilities offer housing and programs to offenders who are serving the last portion of their sentence or who have been assigned to the facility in lieu of a jail or prison sentence, with a key focus on employment, job readiness, and life skills.
- *Residential Facilities*. Residential facilities provide space and residential services in an open and safe environment to adults with children who illegally crossed the U.S. border and are awaiting the outcome of immigration hearings or the return to their home countries. As contractually agreed upon, residential facilities offer services including, but not limited to, educational programs, medical care, recreational activities, counseling, and access to religious and legal services.
- *Leased Facilities*. Leased facilities are facilities that we own but do not manage and that are leased to third-party operators.

Facilities and Facility Management Contracts

As of December 31, 2014, we owned or controlled 52 correctional and detention facilities in 16 states and the District of Columbia, three of which we leased to third-party operators. Additionally, we managed 12 correctional and detention facilities owned by government agencies. We also owned two corporate office buildings. Owned and managed facilities include facilities placed into service that we own or control via a lease and manage. Managed-only facilities include facilities we manage that are owned by a third party. The segment disclosures are included in Note 16 of the Notes to the Consolidated Financial Statements. The following table sets forth all of the facilities that, as of December 31, 2014, we (i) owned and managed, (ii) owned, but were leased to another operator, and (iii) managed but are owned by a government authority. The table includes certain information regarding each facility, including the term of the primary customer contract related to such facility, or, in the case of facilities we owned but leased to a third-party operator, the term of such lease.

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
<u>Owned and Managed Facilities:</u>						
Central Arizona Detention Center Florence, Arizona	USMS	2,304	Multi	Detention	September 2018	(2) 5 year
Eloy Detention Center Eloy, Arizona	ICE	1,500	Medium	Detention	Indefinite	—
Florence Correctional Center Florence, Arizona	USMS	1,824	Multi	Detention	September 2018	(2) 5 year
La Palma Correctional Center Eloy, Arizona	State of California	3,060	Medium	Correctional	June 2016	Indefinite
Red Rock Correctional Center (D) Eloy, Arizona	State of Arizona	1,596	Medium	Correctional	January 2024	(2) 5 year
Saguaro Correctional Facility Eloy, Arizona	State of Hawaii	1,896	Medium	Correctional	June 2015	(1) 1 year
CAI Boston Avenue San Diego, California	BOP	120	Non-secure	Community Corrections	May 2015	(1) 1 year
CAI Ocean View San Diego, California	County of San Diego	483	Non-secure	Community Corrections	June 2015	(2) 1 year
San Diego Correctional Facility (E) San Diego, California	ICE	1,154	Minimum/ Medium	Detention	June 2017	(2) 3 year
Bent County Correctional Facility Las Animas, Colorado	State of Colorado	1,420	Medium	Correctional	June 2016	—
Crowley County Correctional Facility Olney Springs, Colorado	State of Colorado	1,794	Medium	Correctional	June 2016	—
Huerfano County Correctional Center Walsenburg, Colorado	—	752	Medium	Correctional	—	—
Kit Carson Correctional Center Burlington, Colorado	State of Colorado	1,488	Medium	Correctional	June 2016	—
Coffee Correctional Facility (F) Nicholls, Georgia	State of Georgia	2,312	Medium	Correctional	June 2015	(19) 1 year
Jenkins Correctional Center (F) Millen, Georgia	State of Georgia	1,124	Medium	Correctional	June 2015	(20) 1 year
McRae Correctional Facility McRae, Georgia	BOP	1,978	Medium	Correctional	November 2016	(3) 2 year
Stewart Detention Center Lumpkin, Georgia	ICE	1,752	Medium	Detention	Indefinite	—
Wheeler Correctional Facility (F) Alamo, Georgia	State of Georgia	2,312	Medium	Correctional	June 2015	(19) 1 year
Leavenworth Detention Center Leavenworth, Kansas	USMS	1,033	Maximum	Detention	December 2016	(2) 5 year
Lee Adjustment Center Beattyville, Kentucky	State of Vermont	816	Minimum/ Medium	Correctional	June 2015	—

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Marion Adjustment Center St. Mary, Kentucky	—	826	Minimum/ Medium	Correctional	—	—
Otter Creek Correctional Center (G) Wheelwright, Kentucky	—	656	Minimum/ Medium	Correctional	—	—
Prairie Correctional Facility Appleton, Minnesota	—	1,600	Medium	Correctional	—	—
Adams County Correctional Center Adams County, Mississippi	BOP	2,232	Medium	Correctional	July 2015	(2) 2 year
Tallahatchie County Correctional Facility (H) Tutwiler, Mississippi	State of California	2,672	Medium	Correctional	June 2016	Indefinite
Crossroads Correctional Center (I) Shelby, Montana	State of Montana	664	Multi	Correctional	June 2015	(2) 2 year
Nevada Southern Detention Center Pahrump, Nevada	Office of the Federal Detention Trustee	1,072	Medium	Detention	September 2015	(3) 5 year
Elizabeth Detention Center Elizabeth, New Jersey	ICE	300	Minimum	Detention	September 2015	(6) 1 year
Cibola County Corrections Center Milan, New Mexico	BOP	1,129	Medium	Correctional	September 2016	(2) 2 year
New Mexico Women's Correctional Facility Grants, New Mexico	State of New Mexico	596	Multi	Correctional	June 2015	(1) 1 year
Torrance County Detention Facility Estancia, New Mexico	USMS	910	Multi	Detention	Indefinite	—
Lake Erie Correctional Institution (J) Conneaut, Ohio	State of Ohio	1,798	Medium	Correctional	June 2032	Indefinite
Northeast Ohio Correctional Center Youngstown, Ohio	BOP (K)	2,016	Medium	Correctional	May 2015	—
Queensgate Correctional Facility Cincinnati, Ohio	—	850	Medium	—	—	—
Cimarron Correctional Facility (L) Cushing, Oklahoma	State of Oklahoma	1,692	Medium	Correctional	June 2015	(4) 1 year
Davis Correctional Facility (L) Holdenville, Oklahoma	State of Oklahoma	1,670	Medium	Correctional	June 2015	(4) 1 year
Diamondback Correctional Facility Watonga, Oklahoma	—	2,160	Medium	Correctional	—	—
North Fork Correctional Facility Sayre, Oklahoma	State of California	2,400	Medium	Correctional	June 2016	Indefinite
West Tennessee Detention Facility Mason, Tennessee	USMS	600	Multi	Detention	September 2015	(7) 2 year
Shelby Training Center Memphis, Tennessee	—	200	Secure	—	—	—

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Whiteville Correctional Facility (M) Whiteville, Tennessee	State of Tennessee	1,536	Medium	Correctional	June 2016	—
Eden Detention Center Eden, Texas	BOP	1,422	Medium	Correctional	April 2015	(1) 2 year
Houston Processing Center Houston, Texas	ICE	1,000	Medium	Detention	March 2015	—
Laredo Processing Center Laredo, Texas	ICE	258	Minimum/ Medium	Detention	June 2018	—
Webb County Detention Center Laredo, Texas	USMS	480	Medium	Detention	November 2017	—
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	—	2,103	Minimum	Correctional	—	—
T. Don Hutto Residential Center Taylor, Texas	ICE	512	Medium	Detention	January 2020	Indefinite
South Texas Family Residential Center (N) Dilley, Texas	ICE	480	Non-secure	Residential	September 2018	—
D.C. Correctional Treatment Facility (O) Washington, D.C.	District of Columbia	1,500	Medium	Detention	January 2017	—
Managed Only Facilities:						
Citrus County Detention Facility Lecanto, Florida	Citrus County, Florida	760	Multi	Detention	September 2015	Indefinite
Lake City Correctional Facility Lake City, Florida	State of Florida	893	Secure	Correctional	June 2016	Indefinite
Marion County Jail Indianapolis, Indiana	Marion County, Indiana	1,030	Multi	Detention	December 2017	(1) 10 year
Winn Correctional Center Winnfield, Louisiana	State of Louisiana	1,538	Medium/ Maximum	Correctional	June 2020	—
Silverdale Facilities Chattanooga, Tennessee	Hamilton County, Tennessee	1,046	Multi	Detention	April 2016	—
South Central Correctional Center Clifton, Tennessee	State of Tennessee	1,676	Medium	Correctional	June 2016	(1) 2 year
Metro-Davidson County Detention Facility Nashville, Tennessee	Davidson County, Tennessee	1,348	Multi	Detention	January 2020	—
Hardeman County Correctional Facility Whiteville, Tennessee	State of Tennessee	2,016	Medium	Correctional	May 2017	—
Bartlett State Jail Bartlett, Texas	State of Texas	1,049	Minimum/ Medium	Correctional	August 2015	(1) 2 year
Bradshaw State Jail Henderson, Texas	State of Texas	1,980	Minimum/ Medium	Correctional	August 2015	(1) 2 year
Lindsey State Jail Jacksboro, Texas	State of Texas	1,031	Minimum/ Medium	Correctional	August 2015	(1) 2 year

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Willacy State Jail Raymondville, Texas	State of Texas	1,069	Minimum/ Medium	Correctional	August 2015	(1) 2 year
Leased Facilities:						
California City Correctional Center California, City, California	CDCR	2,560	Medium	Owned/Leased	December 2016	Indefinite
Leo Chesney Correctional Center Live Oak, California	GEO Group	240	Minimum	Owned/Leased	September 2015	—
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	MTC	200	Medium	Owned/Leased	August 2015	(1) 2 year

(A) Design capacity measures the number of beds and, accordingly, the number of offenders each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity due to the lower level of services required by detainees in custody for a brief period. From time to time, we may evaluate the design capacity of our facilities based on customers using the facilities, and the ability to reconfigure space with minimal capital outlays. As a result, the design capacity of certain facilities may vary from the design capacity previously presented. We believe design capacity is an appropriate measure for evaluating prison operations, because the revenue generated by each facility is based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entity.

(B) We manage numerous facilities that have more than a single function (e.g., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified were determined by the relative size of inmate populations in a particular facility on December 31, 2014. If, for example, a 1,000-bed facility housed 900 adult inmates with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correctional facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.

(C) Remaining renewal options represents the number of renewal options, if applicable, and the term of each option renewal.

(D) Pursuant to the terms of a contract awarded by the state of Arizona in September 2012, the state of Arizona has an option to purchase the Red Rock facility at any time during the term of the contract, including extension options, based on an amortization schedule starting with the fair market value and decreasing evenly to zero over the twenty year term.

(E) The facility is subject to a ground lease with the County of San Diego. Upon expiration of the lease in December 2015, ownership of the facility automatically reverts to the County of San Diego. During the second half of 2015, we expect to transfer the offenders at this facility to a new facility we are constructing in Otay Mesa, California.

(F) These facilities are subject to purchase options held by the Georgia Department of Corrections, or GDOC, which grants the GDOC the right to purchase the facility for the lesser of the facility's depreciated book value, as defined, or fair market value at any time during the term of the contract between the GDOC and us.

(G) In January 2012, the governor of Kentucky submitted his proposed budget which included the transfer of the inmates previously held at our Otter Creek Correctional Center to a facility owned by the Commonwealth of Kentucky by the end of July 2012. The facility is subject to a deed of conveyance with the city of Wheelwright, Kentucky which includes provisions that allow assumption of ownership by the city of Wheelwright under the following occurrences: (1) we cease to operate the facility for more than two years, (2) our failure to maintain at least one employee for a period of sixty consecutive days, or (3) a conversion to a maximum security facility based upon classification by the Kentucky Corrections Cabinet. In December 2013, we entered into an agreement with the city of Wheelwright that extends the reversion by up to two years in exchange for $20,000 per month or until we resume operations, as defined in the agreement.

(H) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization originally over a 20-year period. The amortization period was extended through 2050 in connection with an expansion completed during the fourth quarter of 2007.

(I) The state of Montana has an option to purchase the facility generally at any time during the term of the contract with us at fair market value less the sum of a pre-determined portion of per diem payments made to us by the state of Montana.

(J) The state of Ohio has the irrevocable right to repurchase the facility before we may resell the facility to a third party, or if we become insolvent or are unable to meet our obligations under the management contract with the state of Ohio, at a price generally equal to the fair market value, as defined in the Real Estate Purchase Agreement.

(K) During December 2014, we were notified by the BOP that it elected not to renew its contract at this facility upon the scheduled expiration in May 2015. We currently expect to continue to house USMS detainees at this facility pursuant to a separate contract that expires December 31, 2016, while we continue to market the space that will become available.

(L) These facilities are subject to purchase options held by the Oklahoma Department of Corrections, or ODC, which grants the ODC the right to purchase the facility at its fair market value at any time during the term of the contract with ODC.

(M) The state of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational or financial breach, as defined, at a price equal to the book value of the facility, as defined.

(N) In September 2014, we began leasing this facility and the site upon which it is being constructed from a third-party lessor. ICE began housing the first residents at the facility in the fourth quarter of 2014, and the site is expected to be ready for full capacity at 2,400 beds during the second quarter of 2015. At December 31, 2014, there were 480 beds in service at this facility.

(O) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease in 2017, ownership of the facility automatically reverts to the District of Columbia.

Facilities Under Construction or Development

As more fully described hereafter in "Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, – Liquidity and Capital Resources", we have three facilities under construction or development. The 1,492-bed Otay Mesa Detention Center is being constructed in San Diego, California, and is expected to be completed in the third quarter of 2015. We plan to offer the Otay Mesa facility to house the existing federal inmate populations at the San Diego Correctional Facility upon expiration of the ground lease at that facility on December 31, 2015. The 2,552-bed Trousdale Turner Correctional Center is being constructed in Trousdale County, Tennessee, and is expected to be completed in the fourth quarter of 2015. Under an agreement with Trousdale County, we expect the intake of inmate populations from the state of Tennessee to begin at this facility in the first quarter of 2016. We lease the South Texas Family Residential Center and the site upon which it is being constructed from a third-party lessor. In addition to the lease payments under the lease agreement, we are investing in certain leasehold improvements and furniture, fixtures, and equipment at the facility. We expect to complete these additions by the end of the second quarter of 2015 when the 2,400-bed South Texas facility is expected to be ready for full occupancy.

Competitive Strengths

We believe that we benefit from the following competitive strengths:

The Largest Private Prison Operator. Our recognition as the nation's leading private prison owner and operator provides us with significant credibility with our current and prospective clients. We believe we manage nearly 41% of all privately managed prison beds in the United States. We believe we own approximately 61% of all privately owned prison beds in the United States. We pioneered modern-day private prisons with a list of notable accomplishments, such as being the first company to design, build, and operate a private prison, the first company to manage a private maximum-security facility under a direct contract with the federal government and, most recently, the first company to purchase a government-owned correctional facility from a governmental agency in the United States and to manage the facility for the government agency. In addition to providing us with extensive experience and institutional knowledge, our size also helps us deliver value to our customers by providing purchasing power and allowing us to achieve certain economies of scale.

Available Beds within Our Existing Facilities. As of December 31, 2014, we had approximately 6,000 beds at five core facilities that are vacant and immediately available to use. We consider our core facilities to be those that were designed for adult secure correctional purposes. We have staff throughout the organization actively engaged in

marketing this available capacity to existing and prospective customers. Historically, we have been successful in substantially filling our inventory of available beds and the beds that we have constructed. Filling these available beds would provide substantial growth in revenues, cash flow, and earnings per share.

Attractive REIT Profile. Key characteristics of our business make us a highly attractive REIT. As of December 31, 2014, we owned or controlled 52 correctional and detention facilities containing approximately 14 million square feet which, for the year ended December 31, 2014, generated 97% of our net operating income, or our operating income before general and administrative expenses, asset impairments, depreciation, and amortization. Land and buildings comprise over 90% of our gross fixed assets. These valuable assets are located in areas with high barriers to entry, particularly due to the unique permitting and zoning requirements for correctional and detention facilities. Further, these assets are constructed primarily of concrete and steel, generally requiring lower maintenance capital expenditures than other types of commercial properties.

Since our inception, we have constructed dozens of facilities, many of which we subsequently expanded. We provide space and services under contracts with federal, state, and local government agencies that generally have credit ratings of single-A or better. In addition, a majority of our contracts have terms between one and five years, and we have historically experienced customer retention in excess of 90%, which contributes to our relatively predictable and stable revenue base. This stream of revenue combined with our low maintenance capital expenditure requirement translates into steady predictable cash flow. We believe the REIT structure also provides us with greater access to capital and flexibility to pursue growth opportunities.

*Development and Expansion Opportunitie*s. The demand for prison bed capacity in the short-term has been affected by the budget challenges many of our government partners currently face. These challenges impede our customers' ability to construct new prison beds of their own or update older facilities, which we believe could result in further need for private sector capacity solutions in the long-term. Though we primarily promote utilization of our available bed capacity, we intend to continue to pursue build-to-suit opportunities like our 2,552-bed Trousdale Turner Correctional Center under construction in Trousdale County, Tennessee, and alternative solutions like the recently announced 2,400-bed South Texas Family Residential Center whereby we identified a site and lessor to provide residential housing and administrative buildings for ICE.

Proven Senior Management Team. Our senior management team has applied their prior experience and diverse industry expertise to improve our operations, related financial results, and capital structure. Under our senior management team's leadership, we have created new business opportunities with customers that have not previously utilized the private corrections sector, expanded relationships with existing customers, including all three federal correctional and detention agencies, converted to a REIT, and successfully completed numerous recapitalization and refinancing transactions, resulting in increases in shareholder value and profitability. Our senior management team has an average of 19 years of experience working in the corrections industry.

Financial Flexibility. As of December 31, 2014, we had cash on hand of $74.4 million and $358.7 million available under our $900.0 million revolving credit facility, with a total weighted average effective interest rate of 3.6% on all outstanding debt, while our total weighted average maturity on all outstanding debt was 5.2 years. For the year ended December 31, 2014, our fixed charge coverage ratio was 9.1x and our debt leverage was 3.1x. During the year ended December 31, 2014, we generated $423.6 million in cash through operating activities, and as of December 31, 2014, we had net working capital of $47.0 million.

Business Strategy

Our primary business strategy is to provide prison bed capacity and quality corrections services, offer a compelling value, and increase occupancy and revenue, while maintaining our position as the leading owner, operator, and manager of privatized correctional and detention facilities. We intend to consider opportunities for growth, including potential acquisitions of businesses within our line of business and those that provide complementary services, provided we believe such opportunities will broaden our market and/or increase the services we can provide to our government partners.

Own and Operate High Quality Correctional and Detention Facilities. We believe that our government partners choose an outsourced correctional service provider based primarily on availability of beds, price, and the quality of services provided. Approximately 90% of the eligible facilities we operated as of December 31, 2014 are accredited by the ACA, an independent organization of corrections industry professionals that establishes standards by which a correctional facility may gain accreditation. We believe that this percentage compares favorably to the percentage of government-operated adult prisons that are accredited by the ACA. We have experienced wardens managing our facilities, with an average of 28 years of corrections experience and an average tenure of 16 years with us.

Offer Compelling Value. We believe that our government partners also seek a compelling value and service offering when selecting an outsourced correctional services provider. We believe that we offer a cost-effective alternative to our government partners by reducing their correctional services costs while allowing them to avoid long-term pension obligations for their employees and large capital investments in new prison beds. We attempt to improve operating performance and efficiency through the following key operating initiatives: (1) standardizing supply and service purchasing practices and usage; (2) implementing a standard approach to staffing and business practices in an effort to reduce our fixed expenses; (3) improving offender management, resource consumption, and reporting procedures through the utilization of numerous technological initiatives; (4) reconfiguring facility bed space to optimize capacity utilization; and (5) improving productivity and reducing employee turnover. Through ongoing company-wide initiatives, we continue to focus on efforts to contain costs and improve operating efficiencies, ensuring continuous delivery over the long-term.

Through our strong commitment to community corrections and re-entry programs, we offer our government partners additional compelling opportunities. Our evidence-based re-entry programs, including academic education, vocational training, substance abuse treatment, life skills training, and faith-based programming, are customizable based on partner needs and are applied utilizing best practices and/or industry standards. Through our efforts in community corrections and re-entry programs, we can provide consistency and common standards across facilities. We can also serve multiple levels of government on an as-needed basis, all toward reaching the goal we share with our government partners of providing offenders with the opportunity to succeed when they are released, making our communities safer, and, ultimately, reducing recidivism.

We also intend to continue to implement a wide variety of specialized services that address the unique needs of various segments of the offender population. Because the offenders in the facilities we operate differ with respect to security levels, ages, genders, and cultures, we focus on the particular needs of an offender population and tailor our services based on local conditions and our ability to provide services on a cost-effective basis.

Increase Occupancy and Revenue. Our industry benefits from significant economies of scale, resulting in lower operating costs per inmate as occupancy rates increase. We are pursuing a number of initiatives intended to increase our occupancy and revenue. Our competitive cost structure offers prospective government partners a compelling solution to incarceration. The unique budgetary challenges governments are facing may cause them to further rely on us to help reduce their costs, and also cause those states that have not previously utilized the private sector to turn to the private sector to help reduce their overall costs of incarceration. We are actively pursuing these opportunities. We are also focused on renewing and enhancing the terms of our existing contracts and expanding the services we provide under those contracts. We believe the long-term growth opportunities of our business remain very attractive as insufficient bed development by our government partners should result in future demand for additional bed capacity. Increases in occupancy could result in lower operating costs per inmate, resulting in higher operating margins, cash flow, and net income.

Own and Lease Correctional Facilities. As an alternative to providing "turn-key" correctional bed space and services to our government partners, we also offer our customers an attractive portfolio of prison facilities that can be leased for various correctional needs. During the fourth quarter of 2013, we entered into an agreement to lease our California City Correctional Center to the CDCR. The lease agreement includes a three-year base term with unlimited two-year renewal options upon mutual agreement. Annual base rent during the three-year base term is fixed at $28.5 million. After the three-year base term, the rent will be increased annually by the lesser of CPI (Consumer Price Index) or 2%. We are responsible for repairs and maintenance, property taxes and property insurance, while all other aspects and costs of facility operations are the responsibility of the CDCR. The lease of this facility provided California an immediate solution to help reach its population capacity goals, and exemplified our ability to react quickly to our partners' needs with innovative and flexible solutions that make the best use of taxpayer dollars. We intend to pursue additional opportunities like those with the CDCR to lease prison facilities to government and other third-party operators in need of correctional capacity.

Capital Strategy

As of December 31, 2014, we had cash on hand of $74.4 million and $358.7 million available under our $900.0 million revolving credit facility. None of our outstanding debt requires scheduled principal payments, and we have no debt maturities until December 2017.

Despite a challenging economic environment over the past several years, we have been able to deploy capital resources to take advantage of targeted growth opportunities, including the acquisition, expansion, and development of new correctional facilities. During 2013, we completed the acquisition of Correctional Alternatives, Inc., or CAI, a privately held San Diego, California-based community corrections company that specializes in residential re-entry, home detention, and work furlough programs for San Diego County, the BOP, and United States Pretrial and Probation. We acquired CAI as a strategic investment in a complementary business that broadens the scope of solutions we provide, expanding the range of solutions from incarceration through release, and supporting our belief in helping offenders successfully transition to society. We intend to pursue opportunities similar to the acquisition of CAI that enable us to provide additional services to our government partners while resulting in earnings and cash flow growth.

We regularly evaluate alternative uses of our cash flow in order to provide value to our stockholders. From 2008 to 2011, we purchased a total of 28.4 million shares of our common stock at an aggregate cost of $508.2 million, at an average price of $17.91,

representing 22.6% of the total shares of our common stock outstanding prior to the commencement of the initial stock repurchase program authorized by our Board of Directors in 2008. Further, we repurchased this $508.2 million of our common stock while simultaneously improving our leverage ratios. In February 2012, our Board of Directors terminated the stock repurchase program and commenced a quarterly cash dividend beginning in the second quarter of 2012. The quarterly dividends were subsequently increased as a result of our conversion to a REIT effective January 1, 2013, as further described hereafter. We continue to consider stock repurchases as an alternative use of our cash flow. However, under our current REIT structure we retain less cash flow, as a substantial portion of our cash generated from operations must be distributed to shareholders as a dividend.

We reorganized our corporate structure to facilitate our qualification as a REIT for federal income tax purposes effective for our taxable year beginning January 1, 2013. To qualify and be taxed as a REIT, we generally are required to distribute annually to our stockholders at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains), and are subject to regular corporate income taxes to the extent we distribute less than 100% of our REIT taxable income (including capital gains) each year. The amount, timing and frequency of future distributions, however, will be at the sole discretion of our Board of Directors and will be declared based upon various factors, many of which are beyond our control, including our financial condition and operating cash flows, the amount required to maintain qualification and taxation as a REIT and reduce any income and excise taxes that we otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, our ability to utilize net operating losses, or NOLs, to offset, in whole or in part, our REIT distribution requirements, limitations on our ability to fund distributions using cash generated through our TRSs and other factors that our Board of Directors may deem relevant. Because as a REIT we are required to distribute a substantial portion of our cash generated from operations to shareholders as a dividend, growth opportunities may require more external capital resources than were required prior to our conversion to a REIT. During 2014, our Board of Directors declared a quarterly dividend of $0.51 in each quarter totaling $239.1 million for the year, compared with a total of $221.2 million during 2013 and $60.2 million during 2012 (the year before our REIT conversion).

In addition to the cash on hand and availability under our revolving credit facility, we currently expect our REIT taxable income to be less than our cash flow, primarily due to the deductibility of non-cash expenses such as depreciation on our real estate assets. This liquidity provides us with the flexibility to (i) invest in additional facility acquisitions and developments, which could include acquisitions of facilities from government partners, third parties, or additional business combinations similar to the acquisition of CAI, (ii) pay down debt, (iii) increase dividends to our shareholders, (iv) or repurchase our common stock. We also have the flexibility to issue debt or equity securities from time to time when we determine that market conditions and the opportunity to utilize the proceeds from the issuance of such securities are favorable. Such opportunities could include, but are not limited to, build-to-suit or additional acquisition opportunities that exceed our undistributed cash flow and that generate favorable investment returns.

The Corrections and Detention Industry

We believe we are well-positioned to capitalize on government outsourcing of correctional management services because of our competitive strengths, business strategy, and financial flexibility. Notwithstanding the effects the current economy could have on our government partners' demand for prison beds in the short term, we believe the long-term trends favor an increase in the outsourcing of correctional management services. The key reasons for this

outsourcing trend include (unless otherwise noted, statistical references were obtained from the "Bureau of Justice Statistics Bulletin" issued by the U.S. Department of Justice in September 2014):

United States Prison Population Trends. The growth of the prison population in the United States over the past decade, combined with a lack of new prison capacity constructed by the public sector, has led to overcrowding in the state and federal prison systems. In 2013, at least 20 states and the federal prison system reported operating at or above their highest capacity measure. The federal prison system was operating at 33% above capacity at December 31, 2013.

At year-end 2013, federal and state correctional authorities had jurisdiction over approximately 1.6 million prisoners. The annual growth rate of the federal and state prison population increased 0.3% for the year ended December 31, 2013. The imprisonment rate – the number of sentenced prisoners per 100,000 residents – decreased slightly from 480 prisoners per 100,000 U.S. residents in 2012 to 478 prisoners per 100,000 U.S. residents in 2013. During 2013, populations in state prisons increased 0.5%. According to a report issued in November 2014 by the Pew Charitable Trusts, the number of state prison inmates is expected to increase 3% by 2018, according to projections collected from 34 states. This translates into an increase in inmate populations of approximately 26,000, according to the report.

The total number of prisoners under federal jurisdiction decreased 0.9% for the year ended December 31, 2013, representing the first decrease in inmates under the jurisdiction of the BOP since 1980. This decrease could indicate a shift in public policy that may reduce the number of people incarcerated in the United States. For example, in July 2014, the U.S. Sentencing Commission voted unanimously to apply a reduction in the sentencing guideline levels applicable to most federal drug trafficking offenders retroactively, meaning that many offenders currently in prison could be eligible for reduced sentences beginning November 2015. Under the guidelines, no offender would be released unless a judge reviews the case to determine whether a reduced sentence poses a risk to public safety and is otherwise appropriate. As of December 31, 2014, the federal prison system was operating at 27.5% above capacity. A reduction in federal prison populations has resulted in an increase in the cost per inmate for the public sector as the fixed cost structure is allocated over a lower population, resulting in an even greater value proposition and opportunity for the private sector.

Lack of New Prison Construction. Capital expenditures for new construction, renovations, and major repairs have decreased at the state level. According to a Bureau of Justice Statistics report issued December 11, 2013, between 1992 and 2001, capital outlays varied between $2.7 billion and $4.0 billion, comprising between 5.0% and 10.3% of total corrections expenditures during those years. Between these same years, 32 states spent at least 20% of their total corrections expenditures on capital outlays. From 2002 to 2010, capital outlays made up $2.3 billion or less each year and less than 5% of state correctional expenditures. Between these same years, only two states spent at least 20% of their total corrections expenditures on capital outlays. Further, according to the "State Expenditure Report" issued in November 2014 by the National Association of State Budget Officers, or NASBO, which analyzed state spending for actual fiscal years 2012 and 2013, and estimated fiscal year 2014, total state spending on corrections, inclusive of capital expenditures, is expected to increase 4.5% from fiscal year 2012 to fiscal year 2014. However, according to the report, 37 states have estimated that, in fiscal year 2014, capital expenditures will make up less than 2% of their total spending on corrections.

Aging Public Prison Facilities. According to the Bureau of Justice Statistics "Census of State and Federal Correctional Facilities" published in 2008, there are approximately 290,000 state and federal prison beds in operation in public facilities that are more than 50 years old and almost 100,000 prison beds more than 100 years old. Prison facilities that are older are typically more inefficient to staff and are more expensive to operate, including higher capital expenditures for maintenance. States such as Georgia, Colorado and others have been shuttering old inefficient facilities and replacing capacity with newer more efficient private facilities.

Acceptance of Privatization. The prisoner population, excluding detention and jail populations, housed in privately managed facilities in the United States as of December 31, 2013 was approximately 133,000. At December 31, 2013, 19.1% of federal inmates and 6.8% of state inmates were held in private facilities. Since December 31, 2000, the number of federal inmates held in private facilities has increased approximately 165%, while the number of state inmates held in private facilities has increased approximately 22%. Eighteen states had at least 5% of their prison population held in private facilities at December 31, 2013. Five states housed at least 25% of their prison population in private facilities as of December 31, 2013.

Governmental Budgeting Constraints. We believe the outsourcing of prison management services to private operators allows governments to manage increasing inmate populations while simultaneously controlling correctional costs and improving correctional services. The use of facilities owned and managed by private operators allows governments to expand prison capacity without incurring large capital commitments or debt required to increase correctional capacity. Outsourcing correctional services to private operators also enables government agencies to avoid costly long-term pension obligations. We believe these advantages translate into significant cost savings for government agencies.

Government Regulation

Business Regulations

The industry in which we operate is subject to extensive federal, state, and local regulations, including educational, health care, and safety regulations, which are administered by many governmental and regulatory authorities. Some of the regulations are unique to the corrections industry. Facility management contracts typically include reporting requirements, supervision, and on-site monitoring by representatives of the contracting governmental agencies. Corrections officers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and subject to background investigation. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with businesses owned by members of minority groups. Our facilities are also subject to operational and financial audits by the governmental agencies with which we have contracts. Failure to comply with these regulations and contract requirements can result in material penalties or non-renewal or termination of facility management contracts.

In addition, private prison managers are subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates. Legislation has been enacted in several states, and has previously been proposed in the United States Congress, containing such restrictions. Although we do not believe that existing legislation will have a material adverse effect on us, there can be no assurance that future legislation would not have such an effect.

additional insurance expenses resulting from adverse claims experience or an increasing cost environment for general liability and other types of insurance could adversely impact our results of operations and cash flows.

Employees

As of December 31, 2014, we employed approximately 14,040 employees. Of such employees, approximately 385 were employed at our corporate offices and approximately 13,655 were employed at our facilities and in our inmate transportation business. We employ personnel in the following areas: clerical and administrative, facility administrators/wardens, security, medical, quality assurance, transportation and scheduling, maintenance, teachers, counselors, chaplains, and other support services.

Each of the facilities we currently operate is managed as a separate operational unit by the facility administrator or warden. All of these facilities follow a standardized code of policies and procedures.

We have not experienced a strike or work stoppage at any of our facilities. Approximately 1,030 employees at five of our facilities are represented by labor unions. In the opinion of management, overall employee relations are good.

Competition

The correctional and detention facilities we own, operate, or manage, as well as those facilities we own but are managed by other operators, are subject to competition for inmates from other private prison managers. We compete primarily on the basis of bed availability, cost, the quality and range of services offered, our experience in the design, construction, and management of correctional and detention facilities, and our reputation. We compete with government agencies that are responsible for correctional facilities and a number of privatized correctional service companies, including, but not limited to, The GEO Group, Inc. and Management and Training Corporation. We also compete in some markets with small local companies that may have a better knowledge of the local conditions and may be better able to gain political and public acceptance. Other potential competitors may in the future enter into businesses competitive with us without a substantial capital investment or prior experience. We may also compete in the future for new development projects with companies that have more financial resources than we have. Competition by other companies may adversely affect the number of inmates at our facilities, which could have a material adverse effect on the operating revenue of our facilities. In addition, revenue derived from our facilities will be affected by a number of factors, including the demand for inmate beds, general economic conditions, and the age of the general population.

ITEM 1A. RISK FACTORS.

As the owner and operator of correctional and detention facilities, we are subject to certain risks and uncertainties associated with, among other things, the corrections and detention industry and pending or threatened litigation in which we are involved. In addition, we are also currently subject to risks associated with our indebtedness as well as our qualification as a REIT for federal income tax purposes effective for our taxable years beginning January 1, 2013. The risks and uncertainties set forth below could cause our actual results to differ materially from those indicated in the forward-looking statements contained herein and elsewhere. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition, or results of operations.

Risks Related to Our Business and Industry

Our results of operations are dependent on revenues generated by our jails, prisons, detention, and residential facilities, which are subject to the following risks associated with the corrections and detention industry.

We are subject to fluctuations in occupancy levels, and a decrease in occupancy levels could cause a decrease in revenues and profitability. While a substantial portion of our cost structure is fixed, a substantial portion of our revenue is generated under facility ownership and management contracts that specify per diem payments based upon daily occupancy. We are dependent upon the governmental agencies with which we have contracts to provide inmates for our managed facilities. We cannot control occupancy levels at the facilities we operate. Under a per diem rate structure, a decrease in our occupancy rates could cause a decrease in revenue and profitability. Average compensated occupancy for our facilities in operation for 2014, 2013, and 2012 was 84%, 85%, and 88%, respectively. Occupancy rates may, however, decrease below these levels in the future. When combined with relatively fixed costs for operating each facility, a decrease in occupancy levels could have a material adverse effect on our profitability.

We are dependent on government appropriations and our results of operations may be negatively affected by governmental budgetary challenges. Our cash flow is subject to the receipt of sufficient funding of, and timely payment by, contracting governmental entities. If the appropriate governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Any delays in payment, or the termination of a contract, could have an adverse effect on our cash flow and financial condition. In addition, federal, state and local governments are constantly under pressure to control additional spending or reduce current levels of spending. Accordingly, we have been requested and may be requested in the future to reduce our existing per diem contract rates or forego prospective increases to those rates. Further, our government partners could reduce inmate population levels in facilities we own or manage to contain their correctional costs. In addition, it may become more difficult to renew our existing contracts on favorable terms or otherwise.

Competition for inmates may adversely affect the profitability of our business. We compete with government entities and other private operators on the basis of bed availability, cost, quality and range of services offered, experience in designing, constructing, and managing facilities, and reputation of management and personnel. While there are barriers to entering the market for the ownership and management of correctional and detention facilities, these barriers may not be sufficient to limit additional competition. In addition, our government customers may assume the management of a facility that they own and we currently manage for them upon the termination of the corresponding management contract or, if such customers have capacity at their facilities, may take inmates currently housed in our facilities and transfer them to government-run facilities. Since we are paid on a per diem basis with no minimum guaranteed occupancy under most of our contracts, the loss of such inmates and resulting decrease in occupancy would cause a decrease in our revenues and profitability.

Escapes, inmate disturbances, and public resistance to privatization of correctional and detention facilities could result in our inability to obtain new contracts or the loss of existing contracts. The operation of correctional and detention facilities by private entities has not achieved complete acceptance by either governments or the public. The movement toward privatization of correctional and detention facilities has also encountered resistance from certain groups, such as labor unions and others that believe that correctional and detention facilities should only be operated by governmental agencies.

Moreover, negative publicity about an escape, riot or other disturbance or perceived poor operational performance, contract compliance, or other conditions at a privately managed facility may result in adverse publicity to us and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for us to renew or maintain existing contracts or to obtain new contracts, which could have a material adverse effect on our business.

We are subject to terminations, non-renewals, or competitive re-bids of our government contracts. We typically enter into facility contracts with governmental entities for terms of up to five years, with additional renewal periods at the option of the contracting governmental agency. Notwithstanding any contractual renewal option of a contracting governmental agency, 23 of our facility contracts with the customers listed under "Business – Facility Portfolio – Facilities and Facility Management Contracts" are currently scheduled to expire on or before December 31, 2015 but have renewal options (20), or are currently scheduled to expire on or before December 31, 2015 and have no renewal options (3). Although we generally expect these customers to exercise renewal options or negotiate new contracts with us, one or more of these contracts may not be renewed by the corresponding governmental agency. In addition, these and any other contracting agencies may determine not to exercise renewal options with respect to any of our contracts in the future. Our government partners can also re-bid contracts in a competitive procurement process upon termination or non-renewal of our contract. Competitive re-bids may result from the expiration of the term of a contract, including the initial term and any renewal periods, or the early termination of a contract. Competitive re-bids are often required by applicable federal or state procurement laws periodically in order to further competitive pricing and other terms for the government agency.

During December 2014, the BOP announced that it elected not to renew its contract with us at our owned and operated 2,016-bed Northeast Ohio Correctional Center. The current contract with the BOP at this facility is scheduled to expire on May 31, 2015. We currently expect to continue to house USMS detainees at this facility pursuant to a separate contract that expires December 31, 2016, while we continue to market the space that will become available.

Based on information available at this filing, notwithstanding the contract at the Northeast Ohio Correctional Center described above, we expect to renew all other contracts that have expired or are scheduled to expire within the next twelve months. We believe our renewal rate on existing contracts remains high as a result of a variety of reasons including, but not limited to, the constrained supply of available beds within the U.S. correctional system, our ownership of the majority of the beds we operate, and the quality of our operations.

Governmental agencies typically may terminate a facility contract at any time without cause or use the possibility of termination to negotiate a lower per diem rate. In the event any of our contracts are terminated or are not renewed on favorable terms or otherwise, we may not be able to obtain additional replacement contracts. The non-renewal, termination, or competitive re-bid of any of our contracts with governmental agencies could materially adversely affect our financial condition, results of operations and liquidity, including our ability to secure new facility contracts from others.

Our ability to secure new contracts to develop and manage correctional and detention facilities depends on many factors outside our control. Our growth is generally dependent upon our ability to obtain new contracts to develop and manage correctional and detention facilities. This possible growth depends on a number of factors we cannot control, including crime rates and sentencing patterns in various jurisdictions, governmental budgetary

constraints, and governmental and public acceptance of privatization. The demand for our facilities and services could be adversely affected by the relaxation of enforcement efforts, leniency in conviction or parole standards and sentencing practices or through the decriminalization of certain activities that are currently proscribed by criminal laws. For instance, any changes with respect to drugs and controlled substances or illegal immigration could affect the number of persons arrested, convicted, and sentenced, thereby potentially reducing demand for correctional facilities to house them. Immigration reform laws are currently a focus for legislators and politicians at the federal, state, and local level. Legislation has also been proposed in numerous jurisdictions that could lower minimum sentences for some non-violent crimes and make more inmates eligible for early release based on good behavior. Also, sentencing alternatives under consideration could put some offenders on probation with electronic monitoring who would otherwise be incarcerated. Similarly, reductions in crime rates or resources dedicated to prevent and enforce crime could lead to reductions in arrests, convictions and sentences requiring incarceration at correctional facilities. Our policy prohibits us from engaging in lobbying or advocacy efforts that would influence enforcement efforts, parole standards, criminal laws, and sentencing policies.

Moreover, certain jurisdictions recently have required successful bidders to make a significant capital investment in connection with the financing of a particular project, a trend that will require us to have sufficient capital resources to compete effectively. We may compete for such projects with companies that have more financial resources than we have. Further, we may not be able to obtain the capital resources when needed. A prolonged downturn in the financial credit markets could make it more difficult to obtain capital resources at favorable rates of return or obtain capital resources at all.

We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts. Our success in obtaining new awards and contracts sometimes depends, in part, upon our ability to locate land that can be leased or acquired, on economically favorable terms, by us or other entities working with us in conjunction with our proposal to construct and/or manage a facility. Some locations may be in or near populous areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. When we select the intended project site, we attempt to conduct business in communities where local leaders and residents generally support the establishment of a privatized correctional or detention facility. Future efforts to find suitable host communities may not be successful. We may incur substantial costs in evaluating the feasibility of the development of a correctional or detention facility. As a result, we may report significant charges if we decide to abandon efforts to develop a correctional or detention facility on a particular site. In many cases, the site selection is made by the contracting governmental entity. In such cases, site selection may be made for reasons related to political and/or economic development interests and may lead to the selection of sites that have less favorable environments.

Providing family residential services subjects us to certain unique or increased risks and difficulties compared to operating our other facilities. In September 2014, we signed an amended agreement to provide safe and humane residential housing, as well as educational opportunities, to women and children under the custody of ICE, who are awaiting their due process before immigration courts. Providing this type of residential service subjects us to new risks and uncertainties that could materially adversely affect our business, financial condition, or results of operations. For instance, the new contract mandates offender to staff ratios that are higher than our typical contract, requires services unique to this contract (e.g. child care and primary education services), and limits the use of security protocols and techniques typically utilized in correctional and detention settings. These operational risks and others associated with privately managing this type of residential facility could result in higher costs associated with staffing and lead to increased litigation. In addition, in January 2015, a class action lawsuit was filed in federal district court for the District of Columbia against the Secretary of the Department of Homeland Security, or DHS, and certain ICE officials. The complaint sought to certify a class of plaintiffs, consisting of Central American mothers and children who (i) have been or will be detained in ICE family detention facilities since June 2014, (ii) have been or will be determined to have a credible fear of persecution in their home country under federal asylum laws and (iii) are eligible for release on bond pursuant to certain federal statutes but have been or will be denied such release after being subject to an ICE custody determination that took deterrence of mass migration into account. In February 2015, the court certified the class and granted the plaintiffs' motion for a preliminary injunction, enjoining DHS from detaining class members for the purpose of deterring future immigration to the United States and from considering deterrence of such immigration as a factor in such custody determinations until a final determination has been reached on the merits of the action. We have not received any instruction from ICE on what action they intend to take in response to the court order, or how and whether it will affect our contract at the South Texas Family Residential Center. However, it is possible that this or other lawsuits could adversely affect the contract, including changes to the contract that are less beneficial to us or which impose costs (such as to repurpose the facility for other detainees), or an outright termination of the contract. Any adverse decision with regard to this contract could materially affect our financial condition and results of operations.

We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped. When we are awarded a contract to provide or manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations. In addition, a contract may be terminated prior to its scheduled expiration and as a result we may not recover these expenditures or realize any return on our investment.

Failure to comply with facility contracts or with unique and increased governmental regulation could result in material penalties or non-renewal or termination of noncompliant contracts or our other contracts to provide or manage correctional and detention facilities. The industry in which we operate is subject to extensive federal, state, and local regulations, including educational, health care, and safety regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the corrections industry, some are unique to government contractors, and the combination of regulations we face is unique and complex. Facility contracts typically include reporting requirements, supervision, and on-site monitoring by representatives of the contracting governmental agencies. Corrections officers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and subject to background investigation. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with certain types of businesses, such as small businesses and businesses owned by members of minority groups. Our facilities are also subject to operational and financial audits by the governmental agencies with which we have contracts. Federal regulations also require federal government contractors like us to self-report evidence of certain forms of misconduct. We may not always successfully comply with these regulations and contract requirements, and failure to comply can result in material penalties, including financial penalties, non-renewal or termination of noncompliant contracts or our other facility contracts, and suspension or debarment from contracting with certain government entities.

In addition, private prison managers are subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States Congress, containing such restrictions. Such legislation may have an adverse effect on us.

Our inmate transportation subsidiary, TransCor, is subject to regulations promulgated by the Departments of Transportation and Justice. TransCor must also comply with the Interstate Transportation of Dangerous Criminals Act of 2000, which covers operational aspects of transporting prisoners, including, but not limited to, background checks and drug testing of employees; employee training; employee hours; staff-to-inmate ratios; prisoner restraints; communication with local law enforcement; and standards to help ensure the safety of prisoners during transport. We are subject to changes in such regulations, which could result in an increase in the cost of our transportation operations.

On September 26, 2013, the Federal Communications Commission, or FCC, which regulates interstate communications, released a Report and Order and Further Notice of Proposed Rulemaking on the subject of rate reform for interstate inmate calling services, or the ICS Order. The ICS Order was effective on February 11, 2014, subject to a stay on certain portions as a result of a pending legal challenge to the ICS Order. The ICS Order has had a significant impact on the rates that may be charged for interstate inmate calling services, or

ICS, which include per-minute charges, per-call charges, and ancillary charges and other fees charged in connection with such service. Primarily as a result of the ICS Order, our telephone commission revenue decreased by $0.9 million from 2013 to 2014.

The Order applies directly to ICS providers who offer their services pursuant to contracts with correctional facilities, including those that we manage. The ICS Order places limits on rates that ICS providers can charge. Even though a portion of the order is subject to the stay noted above, in anticipation of the ICS Order, our ICS providers have complied by eliminating payments to correctional facilities that would be in violation of the ICS Order.

A number of legal challenges to the ICS Order are pending and additional future challenges are possible, any of which could alter or delay the FCC's implementation of the ICS Order. In addition, based on the ICS Order and/or the outcome of its challenges, various state commissions may consider changes to their intrastate rates. Moreover, the ICS Order seeks comment on additional measures for rate reform and the FCC has indicated that further reform of interstate and intrastate ICS rates is likely forthcoming. On October 22, 2014, the FCC issued a Further Notice of Proposed Rulemaking, or FNPRM, which sought information from the public on various inmate calling-related topics. The FNPRM further re-affirmed the FCC's intention to establish permanent rate caps for ICS, to consider, and likely impose, a total ban on commission payments to correctional facilities for interstate calling, and to impose rate caps and a commission ban on intrastate calling. Because the FCC revised the original due date for comments in response to the FNPRM, the FCC received comments and replies through late January 2015. The impact to our revenue is limited as a significant amount of commissions paid by our ICS providers are passed along to our customers or are reserved and used for the benefit of inmates in our care. Our failure to comply with, or changes to existing regulations or adoption of new regulations in, the areas discussed above could result in further increases to our costs or reductions in our revenue.

Government agencies may investigate and audit our contracts and, if any improprieties are found, we may be required to cure those improprieties, refund revenues we have received, to forego anticipated revenues, and we may be subject to penalties and sanctions, including prohibitions on our bidding in response to RFPs. Certain of the governmental agencies with which we contract have the authority to audit and investigate our contracts with them. As part of that process, government agencies may review our performance of the contract, our pricing practices, our cost structure and our compliance with applicable performance requirements, laws, regulations and standards. The regulatory and contractual environment in which we operate is complex and many aspects of our operations remain subject to manual processes and oversight that make compliance monitoring difficult and resource intensive. A governmental agency review could result in a request to cure a performance or compliance issue, and if we are unable to do so, the failure could lead to termination of the contract in question or other contracts that we have with that governmental agency. Similarly, for contracts that actually or effectively provide for certain reimbursement of expenses, if an agency determines that we have improperly allocated costs to a specific contract, we may not be reimbursed for those costs, and we could be required to refund the amount of any such costs that have been reimbursed. If a government audit asserts improper or illegal activities by us, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with certain government entities. In February 2014, we reached an agreement to pay $1.0 million in compensation to the state of Idaho regarding contractual disputes related to staffing at the Idaho Correctional Center stemming in part from an audit by the Idaho Department of Corrections. In addition to the potential civil and criminal penalties and administrative sanctions noted above, any adverse determination with respect to contractual or regulatory violations could negatively impact our ability to bid in response to RFPs in one or more jurisdictions.

We depend on a limited number of governmental customers for a significant portion of our revenues. We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. The loss of, or a significant decrease in, business from the BOP, ICE, USMS, or various state agencies could seriously harm our financial condition and results of operations. The three primary federal governmental agencies with correctional and detention responsibilities, the BOP, ICE, and USMS, accounted for 44% of our total revenues for the fiscal year ended December 31, 2014 ($724.2 million). The USMS accounted for 17% of our total revenues for the fiscal year ended December 31, 2014 ($285.4 million), BOP accounted for 13% of our total revenues for the fiscal year ended December 31, 2014 ($217.8 million), and ICE accounted for 13% of our total revenues for the fiscal year ended December 31, 2014 ($221.0 million). Although the revenue generated from each of these agencies is derived from numerous management contracts, the loss of one or more of such contracts could have a material adverse impact on our financial condition and results of operations. As previously described herein, during December 2014, the BOP notified us that they elected not to renew their contract at our Northeast Ohio Correctional Center upon its expiration in May 2015. We generated $40.2 million in revenue from the BOP during 2014 under this contract. We expect to continue to depend upon these federal agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

The CDCR accounted for 14% of our total revenues for the fiscal year ended December 31, 2014 ($236.9 million), including the revenue we generated at our California City facility under a lease. Our management and lease agreements with the CDCR, as well as the status of legal and legislative action regarding the state of California inmate populations, are more fully described hereafter in “MD&A – Results of Operations”.

We depend upon our senior management and our ability to attract and retain sufficient qualified personnel.

The success of our business depends in large part on the ability and experience of our senior management. The unexpected loss of any of these persons could materially adversely affect our business and operations.

In addition, the services we provide are labor-intensive. When we are awarded a facility management contract or open a new facility, we must hire operating management, correctional officers, and other personnel. The success of our business requires that we attract, develop, and retain these personnel. Our inability to hire sufficient qualified personnel on a timely basis or the loss of significant numbers of personnel at existing facilities could adversely affect our business and operations. Under many of our contracts, we are subject to financial penalties for insufficient staffing.

Adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations.

As of December 31, 2014, we employed approximately 14,040 employees. Approximately 1,030 of our employees at five of our facilities, or approximately 7% of our workforce, are represented by labor unions. We have not experienced a strike or work stoppage at any of our facilities and in the opinion of management overall employee relations are good. New executive orders, administrative rules and changes in National Labor Relations could increase organizational activity at locations where employees are currently not represented by a labor organization. Increases in organizational activity or any future work stoppages could have a material adverse effect on our business, financial condition, or results of operations.

We are subject to necessary insurance costs.

Workers' compensation, auto liability, employee health, and general liability insurance represent significant costs to us. Because we are significantly self-insured for workers' compensation, auto liability, employee health, and general liability risks, the amount of our insurance expense is dependent on claims experience, our ability to control our claims experience, and in the case of workers' compensation and employee health, rising health care costs in general. Unanticipated additional insurance costs could adversely impact our results of operations and cash flows, and the failure to obtain or maintain any necessary insurance coverage could have a material adverse effect on us.

We may be adversely affected by inflation.

Many of our facility contracts provide for fixed fees or fees that increase by only small amounts during their terms. If, due to inflation or other causes, our operating expenses, such as wages and salaries of our employees, insurance, medical, and food costs, increase at rates faster than increases, if any, in our fees, then our profitability would be adversely affected. See "MD&A – Inflation."

We are subject to legal proceedings associated with owning and managing correctional and detention facilities.

Our ownership and management of correctional and detention facilities, and the provision of inmate transportation services by a subsidiary, expose us to potential third-party claims or litigation by prisoners or other persons relating to personal injury or other damages resulting from contact with a facility, its managers, personnel or other prisoners, including damages arising from a prisoner's escape from, or a disturbance or riot at, a facility we own or manage, or from the misconduct of our employees. To the extent the events serving as a basis for any potential claims are alleged or determined to constitute illegal or criminal activity, we could also be subject to criminal liability. Such liability could result in significant monetary fines and could affect our ability to bid on future contracts and retain our existing contracts. In addition, as an owner of real property, we may be subject to a variety of proceedings relating to personal injuries of persons at such facilities. The claims against our facilities may be significant and may not be covered by insurance. Even in cases covered by insurance, our deductible (or self-insured retention) may be significant.

We are subject to risks associated with ownership of real estate.

Our ownership of correctional and detention facilities subjects us to risks typically associated with investments in real estate. Investments in real estate and, in particular, correctional and detention facilities have limited or no alternative use and thus, are relatively illiquid. Therefore, our ability to divest ourselves of one or more of our facilities promptly in response to changed conditions is limited. Investments in correctional and detention facilities, in particular, subject us to risks involving potential exposure to environmental liability and uninsured loss. Our operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation. In addition, although we maintain insurance for many types of losses, there are certain types of losses, such as losses from earthquakes and acts of terrorism, which may be either uninsurable or for which it may not be economically feasible to obtain insurance coverage, in light of the substantial costs associated with such insurance. As a result, we could lose both our capital invested in, and anticipated profits from, one or more of the facilities we own. Further, it is possible to experience losses that may exceed the limits of insurance coverage.

In addition, our focus on facility development and expansion poses additional risks, including cost overruns caused by various factors, many of which are beyond our control, such as weather, labor conditions, and material shortages, resulting in increased construction costs. Further, if we are unable to utilize this new bed capacity, our financial results could deteriorate.

Certain of our facilities are subject to options to purchase and reversions. Eleven of our facilities are subject to an option to purchase by certain governmental agencies. Such options are exercisable by the corresponding contracting governmental entity generally at any time during the term of the respective facility contract. Certain of these purchase options are based on the depreciated book value of the facility, which essentially results in the transfer of ownership of the facility to the governmental agency at the end of the life used for accounting purposes. See “Business – Facility Portfolio – Facilities and Facility Management Contracts.” If any of these options are exercised, there exists the risk that we will be unable to invest the proceeds from the sale of the facility in one or more properties that yield as much cash flow as the property acquired by the government entity. In addition, in the event any of these options is exercised, there exists the risk that the contracting governmental agency will terminate the management contract associated with such facility. For the year ended December 31, 2014, the eleven facilities currently subject to these options generated $344.9 million in revenue (20.9% of total revenue) and incurred $250.6 million in operating expenses. Certain of the options to purchase are exercisable at prices below fair market value. See “Business – Facility Portfolio – Facilities and Facility Management Contracts.”

In addition, the ownership of two of our facilities (one of which is also subject to an option to purchase) will, upon the expiration of certain ground leases in 2015 and 2017, revert to the respective governmental agency contracting with us. See “Business – Facility Portfolio – Facilities and Facility Management Contracts.” At the time of such reversion, there exists the risk that the contracting governmental agency will terminate the contract associated with such facility. For the year ended December 31, 2014, the facilities subject to reversion generated $71.1 million in revenue (4.3% of total revenue) and incurred $53.6 million in operating expenses.

Risks related to facility construction and development activities may increase our costs related to such activities. When we are engaged to perform construction and design services for a facility, we typically act as the primary contractor and subcontract with other companies who act as the general contractors. As primary contractor, we are subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes, and weather interference) which could cause construction delays. In addition, we are subject to the risk that the general contractor will be unable to complete construction at the budgeted costs or be unable to fund any excess construction costs, even though we require general contractors to post construction bonds and insurance. Under such contracts, we are ultimately liable for all late delivery penalties and cost overruns.

We may be adversely affected by the rising cost and increased difficulty of obtaining adequate levels of surety credit on favorable terms.

We are often required to post bid or performance bonds issued by a surety company as a condition to bidding on or being awarded a contract. Availability and pricing of these surety commitments are subject to general market and industry conditions, among other factors. Increases in surety costs could adversely affect our operating results if we are unable to effectively pass along such increases to our customers. We cannot assure you that we will have continued access to surety credit or that we will be able to secure bonds economically, without additional collateral, or at the levels required for any potential facility development

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those described under "Risk Factors" and included in other portions of this report.

OVERVIEW

As of December 31, 2014, we owned or controlled 52 correctional and detention facilities and managed an additional 12 facilities owned by our government partners, with a total design capacity of approximately 84,500 beds in 19 states and the District of Columbia. We are the nation's largest owner of privatized correctional and detention facilities and one of the largest prison operators in the United States. Our size and experience provide us with significant credibility with our current and prospective customers, and enable us to generate economies of scale in purchasing power for food services, health care and other supplies and services we offer to our government partners.

We are a Real Estate Investment Trust, or REIT. We began operating as a REIT for federal income tax purposes effective January 1, 2013. See "Item 1. Business – Overview" for a description of how we are organized and provide correctional services and conduct other operations through taxable REIT subsidiaries, or TRSs, in order to comply with REIT qualification requirements. We believe that operating as a REIT maximizes our ability to create stockholder value given the nature of our assets, helps lower our cost of capital, draws a larger base of potential stockholders, provides greater flexibility to pursue growth opportunities, and creates a more efficient operating structure.

Our Business

We are compensated for providing correctional bed space and operating and managing prisons and correctional facilities at an inmate per diem rate based upon actual or minimum guaranteed occupancy levels. The expansion of the prison population in the United States has led to overcrowding in the federal and state prison systems, providing us with opportunities for growth. Federal, state, and local governments are constantly under budgetary constraints putting pressure on governments to control correctional budgets, including per diem rates our customers pay to us as well as pressure on appropriations for building new prison capacity. Our federal partners have continued to manage their budgets under Continuing Resolutions which has created short-term challenges and lead to reductions in inmate populations. Several of our state partners are projecting modest increases in tax revenues and improvements in their budgets which has resulted in our ability to secure recent per diem increases at certain facilities. However, all of our state partners have balanced budget requirements, which may force them to further reduce their expenses if their tax revenues, which typically lag the overall economy, do not meet their expectations. Additionally, actions to manage their expenses could include reductions in inmate populations.

We believe the long-term growth opportunities of our business remain very attractive as certain states consider efficiency, savings, and offender programming opportunities we can provide. Further, we expect our partners to continue to face challenges in maintaining old facilities, and developing new facilities and additional capacity which could result in future demand for the solutions we provide.

Governments continue to experience many significant spending demands which have constrained correctional budgets limiting their ability to expand existing facilities or construct new facilities. We believe the outsourcing of prison management services to private operators allows governments to manage increasing inmate populations while simultaneously controlling correctional costs and improving correctional services. We believe our customers discover that partnering with private operators to provide residential services to their offenders introduces competition to their prison system, resulting in improvements to the quality and cost of corrections services throughout their correctional system. Further, the use of facilities owned and managed by private operators allows governments to expand correctional capacity without incurring large capital commitments and allows them to avoid long-term pension obligations for their employees.

We also believe that having beds immediately available to our partners provides us with a distinct competitive advantage when bidding on new contracts. While we have been successful in winning contract awards to provide management services for facilities we do not own, and will continue to pursue such management contracts selectively, we believe the most significant opportunities for growth are in providing our government partners with available beds within facilities we currently own or that we develop. We also believe that owning the facilities in which we provide management services enables us to more rapidly replace business lost compared with managed-only facilities, since we can offer the same beds to new and existing customers and, with customer consent, may have more flexibility in moving our existing inmate populations to facilities with available capacity. Our management contracts generally provide our customers with the right to terminate our management contracts at any time without cause.

We have staff throughout the organization actively engaged in marketing our available capacity to existing and prospective customers. Historically, we have been successful in substantially filling our inventory of available beds and the beds that we have constructed. Filling these available beds would provide substantial growth in revenues, cash flow, and earnings per share. However, we can provide no assurance that we will be able to fill our available beds.

The demand for capacity in the short-term has been affected by the budget challenges many of our government partners currently face. As a result, certain government partners have reduced the number of inmates housed in our facilities by consolidating inmate populations within their jail system, placing inmates on early parole, and/or modifying criminal laws and sentencing practices. At the same time, these challenges impede our customers' ability to construct new prison beds of their own or update older facilities, which we believe could result in further need for private sector capacity solutions in the long-term. We intend to continue to pursue build-to-suit opportunities like our 2,552-bed Trousdale Turner Correctional Center under construction in Trousdale County, Tennessee, and alternative solutions like the recently announced 2,400-bed South Texas Family Residential Center whereby we identified a site and lessor to provide residential housing and administrative buildings for the U.S. Immigration and Customs Enforcement, or ICE. In the long-term, however, we would like to see continued and meaningful utilization of our available capacity and better visibility from our customers before we add any additional capacity on a speculative basis.

We also remain steadfast in our efforts to contain costs. Approximately 62% of our operating expenses consist of salaries and benefits. The turnover rate for correctional officers for our company, and for the corrections industry in general, remains high. We remain focused on workers' compensation and medical benefits costs for our employees due to continued rising healthcare costs throughout the country and the uncertainty of the impact of the Patient

Protection and Affordable Care Act on future healthcare costs. Reducing these staffing costs requires a long-term strategy to control such costs, and we continue to dedicate resources to enhance our benefits, provide training and career development opportunities to our staff and attract and retain quality personnel. Through ongoing company-wide initiatives, we continue to focus on efforts to contain costs and improve operating efficiencies, ensuring continuous delivery of quality services over the long-term.

Through the combination of our initiatives to increase our revenues by taking advantage of our available beds as well as delivering new bed capacity through new facility construction and expansion opportunities, and our strategies to contain our operating expenses, we believe we will be able to maintain our competitive advantage and continue to improve the quality services we provide to our customers at an economical price, thereby producing value to our stockholders.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. A summary of our significant accounting policies is described in Note 2 to our audited financial statements. The significant accounting policies and estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Asset impairments. The primary risk we face for asset impairment charges, excluding goodwill, is associated with correctional facilities we own. As of December 31, 2014, we had $2.7 billion in property and equipment, including $119.3 million in long-lived assets, excluding equipment, at five idled core correctional facilities. We consider our core facilities to be those that were designed for adult secure correctional purposes. The impairment analyses we performed for each of these facilities excluded the net book value of equipment, as a substantial portion of the equipment is easily transferrable to other company-owned facilities without significant cost. The carrying values of the five idled core facilities as of December 31, 2014 were as follows (in thousands):

Prairie Correctional Facility	$ 18,748
Huerfano County Correctional Center	19,033
Diamondback Correctional Facility	44,480
Otter Creek Correctional Center	24,089
Marion Adjustment Center	12,978
	$119,328

We also have three idled non-core facilities with carrying values amounting to $1.3 million as of December 31, 2014. We consider the Shelby Training Center, Queensgate Correctional Facility, and Mineral Wells Pre-Parole Transfer Facility to be non-core because they were designed for uses other than for adult secure correctional purposes. From the date each facility became idle, the eight idled facilities incurred combined operating expenses of approximately $7.9 million, $6.4 million, and $6.0 million for the years ended December 31, 2014, 2013, and 2012, respectively. The 2014 and 2013 amounts exclude expenses incurred in connection with the activation of the Diamondback Correctional Facility which began in the third quarter of 2013 and continued until near the end of the second quarter of 2014, as further described hereafter.

Expenses incurred in connection with the operation and management of correctional and detention facilities decreased $67.3 million, or 5.6%, during 2014 compared with 2013. Similar to our reduction in revenues, operating expenses decreased most notably as a result of the expiration of our contracts at the Idaho Correctional Center effective July 1, 2014 and at the Three Florida Facilities effective January 31, 2014, and due to the idling of our Mineral Wells and Marion Adjustment Center facilities in the third quarter of 2013**.** The reduction in operating expenses was also a result of the aforementioned contract adjustment by one of our federal partners, also as previously disclosed in the fourth quarter of 2013. These reductions in operating expenses were partially offset by an increase in expenses related to the activation of our South Texas Family Residential Center in the fourth quarter of 2014, as further described hereafter.

Fixed expenses per compensated man-day increased to $33.06 during the year ended December 31, 2014 from $32.48 during the year ended December 31, 2013 primarily as a result of an increase in salaries and benefits per compensated man-day of $0.46. The increase in salaries and benefits per compensated man-day resulted primarily from wage adjustments implemented during 2014 and a higher average rate at our newly activated South Texas Family Residential Center, as well as more unfavorable claims experience in our self-insured employee health plans in 2014 compared with the prior year. Salaries and benefits represent the most significant component of fixed operating expenses, representing approximately 62% and 65% of our operating expenses during 2014 and 2013, respectively.

Variable expenses per compensated man-day increased $1.34 during the year ended December 31, 2014 from the year ended December 31, 2013. The increase was primarily a result of increases in inmate medical costs and contractual inflationary increases in food service, and due to expenses associated with our newly activated South Texas Family Residential Center. The increase in variable expenses per compensated man-day was also due to an increase in travel and other variable expenses, largely attributable to the aforementioned transition of several contracts to new operators. In addition, 2013 was favorably impacted by the implementation of certain sales tax strategies which reduced variable expenses per compensated man-day by $0.15 in 2013.

Facility Management Contracts

We typically enter into facility contracts to provide prison bed capacity and management services to governmental entities for terms typically from three to five years, with additional renewal periods at the option of the contracting governmental agency. Accordingly, a substantial portion of our facility contracts are scheduled to expire each year, notwithstanding contractual renewal options that a government agency may exercise. Although we generally expect these customers to exercise renewal options or negotiate new contracts with us, one or more of these contracts may not be renewed by the corresponding governmental agency.

During December 2014, the BOP announced that it elected not to renew its contract with us at our owned and operated 2,016-bed Northeast Ohio Correctional Center. The current contract with the BOP at this facility is scheduled to expire on May 31, 2015. We currently expect to continue to house USMS detainees at this facility pursuant to a separate contract that expires December 31, 2016, while we continue to market the space that will become available.

Based on information available at this filing, notwithstanding the contract at the Northeast Ohio Correctional Center described above, we believe we will renew all other contracts that

have expired or are scheduled to expire within the next twelve months. We believe our renewal rate on existing contracts remains high as a result of a variety of reasons including, but not limited to, the constrained supply of available beds within the U.S. correctional system, our ownership of the majority of the beds we operate, and the quality of our operations.

The operation of the facilities we own carries a higher degree of risk associated with a facility contract than the operation of the facilities we manage but do not own because we incur significant capital expenditures to construct or acquire facilities we own. Additionally, correctional and detention facilities have limited or no alternative use. Therefore, if a contract is terminated on a facility we own, we continue to incur certain operating expenses, such as real estate taxes, utilities, and insurance, which we would not incur if a management contract were terminated for a managed-only facility. As a result, revenue per compensated man-day is typically higher for facilities we own and manage than for managed-only facilities. Because we incur higher expenses, such as repairs and maintenance, real estate taxes, and insurance, on the facilities we own and manage, our cost structure for facilities we own and manage is also higher than the cost structure for the managed-only facilities. Accordingly, the following tables display the revenue and expenses per compensated man-day for the facilities placed into service that we own and manage and for the facilities we manage but do not own, which we believe is useful to our financial statement users:

	For the Years Ended December 31,	
	2014	2013
Owned and Managed Facilities:		
Revenue per compensated man-day	**$ 70.55**	$ 68.19
Operating expenses per compensated man-day:		
Fixed expense	**35.25**	35.02
Variable expense	**12.09**	10.66
Total	**47.34**	45.68
Operating income per compensated man-day	**$ 23.21**	$ 22.51
Operating margin	**32.9%**	33.0%
Average compensated occupancy	**81.0%**	81.6%
Average available beds	**66,179**	67,588
Average compensated population	**53,592**	55,123
Managed Only Facilities:		
Revenue per compensated man-day	**$ 39.98**	$ 40.14
Operating expenses per compensated man-day:		
Fixed expense	**25.68**	25.68
Variable expense	**9.95**	9.20
Total	**35.63**	34.88
Operating income per compensated man-day	**$ 4.35**	$ 5.26
Operating margin	**10.9%**	13.1%
Average compensated occupancy	**95.1%**	96.6%
Average available beds	**16,763**	21,306
Average compensated population	**15,944**	20,575

Owned and Managed Facilities

Facility net operating income, or the operating income or loss from operations before interest, taxes, asset impairments, depreciation and amortization, at our owned and managed facilities increased by $6.4 million, from $444.7 million in 2013 to $451.1 million in 2014. Facility net operating income at our owned and managed facilities during 2014 was favorably impacted by the activation of the South Texas Family Residential Center in the fourth quarter of 2014, as further described hereafter, and the CAI acquisition in the third quarter of 2013.

In July 2013, we extended our agreement with the California Department of Corrections and Rehabilitation, or CDCR, to continue to house inmates at the four facilities we operate for them in Arizona, Oklahoma, and Mississippi. The extension, which runs through June 30, 2016, also allowed CDCR to transition California inmates previously housed at our Red Rock Correctional Center to our other facilities. Accordingly, all of the California inmates were relocated from our Red Rock Correctional Center in the fourth quarter of 2013 in order to prepare for the receipt of inmates under our new contract with the state of Arizona, which commenced January 1, 2014, as further described hereafter. While the transition resulted in the loss of some of the inmates housed at the Red Rock facility, the transition plan included retention and transfer of certain inmates to our other facilities. The calculations of revenue and expenses per compensated man-day in the preceding table exclude revenues (and compensated man-days) earned and expenses incurred during the fourth quarter of 2013 for the Red Rock facility because of the distorted impact they have on the statistics due to the transition to a new contract.

In May 2011, in response to a lawsuit brought by inmates against the state of California, the U.S. Supreme Court upheld a lower court ruling issued by a three judge panel requiring California to reduce its inmate population to 137.5% of its capacity. In an effort to meet the Federal court ruling, the state of California enacted legislation that shifted the responsibilities for housing certain lower level inmates from state government to local jurisdictions. This realignment plan commenced on October 1, 2011 and has resulted in a reduction in state inmate populations of approximately 29,000 as of December 31, 2014. As of December 31, 2014, the adult inmate population held in state of California institutions totaled approximately 139% of capacity, or approximately 115,000 inmates, which did not include the California inmates held in our out-of-state facilities.

In September 2013, the State asked the court to amend its order and provide an extension on the date of compliance in return for adding additional resources toward community-based offender programs that reduce recidivism. On February 10, 2014, a federal court extended to February 28, 2016 the date by which the state of California must comply with the maximum in-state population capacity rate of 137.5%, originally imposed by the federal court in 2009. The federal court also prohibited the State from increasing the out-of-state capacity beyond our contract of approximately 9,000 beds. We believe the state of California will continue to work to resolve the overcrowded conditions in-state through utilizing public and/or private in-state facilities and sentencing measures to reduce prison populations over the long term. As of both December 31, 2014 and 2013, we housed approximately 8,900 inmates from the state of California as a solution to overcrowding. Approximately 14% and 12% of our total revenue for the years ended December 31, 2014 and 2013, respectively, was generated from the CDCR, including revenue generated at the California City facility under a lease agreement that commenced December 1, 2013, as further described hereafter. The reduction or elimination of the use of our out-of-state solutions by the state of California would have a significant adverse impact on our financial position, results of operations, and cash flows.

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements of Corrections Corporation of America and Subsidiaries

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Corrections Corporation of America and Subsidiaries

We have audited the accompanying consolidated balance sheets of Corrections Corporation of America and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Corrections Corporation of America and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As described in Note 12 to the consolidated financial statements, the Company changed its method for reporting discontinued operations effective January 1, 2014.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Corrections Corporation of America and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 25, 2015

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Cash and cash equivalents	**$ 74,393**	$ 77,909
Accounts receivable, net of allowance of $748 and $1,265, respectively	**248,588**	244,957
Current deferred tax assets	**13,229**	9,241
Prepaid expenses and other current assets	**29,775**	20,612
Current assets of discontinued operations	**—**	15
Total current assets	**365,985**	352,734
Property and equipment, net	**2,658,628**	2,546,613
Restricted cash	**2,858**	5,589
Investment in direct financing lease	**3,223**	5,473
Goodwill	**16,110**	16,110
Non-current deferred tax assets	**2,301**	3,078
Other assets	**78,086**	77,828
Total assets	**$3,127,191**	$3,007,425
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	**$ 317,566**	$ 252,277
Income taxes payable	**1,368**	1,243
Current liabilities of discontinued operations	**54**	886
Total current liabilities	**318,988**	254,406
Long-term debt	**1,200,000**	1,205,000
Other liabilities	**126,703**	45,512
Total liabilities	**1,645,691**	1,504,918
Commitments and contingencies		
Preferred stock - $0.01 par value; 50,000 shares authorized; none issued and outstanding at December 31, 2014 and 2013, respectively	**—**	—
Common stock - $0.01 par value; 300,000 shares authorized; 116,764 and 115,923 shares issued and outstanding at December 31, 2014 and 2013, respectively	**1,168**	1,159
Additional paid-in capital	**1,748,303**	1,725,363
Accumulated deficit	**(267,971)**	(224,015)
Total stockholders' equity	**1,481,500**	1,502,507
Total liabilities and stockholders' equity	**$3,127,191**	$3,007,425

The accompanying notes are an integral part of these consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	For the Years Ended December 31, 2014	2013	2012
REVENUES	**$1,646,867**	$1,694,297	$1,723,657
EXPENSES:			
Operating	**1,156,135**	1,220,351	1,217,051
General and administrative	**106,429**	103,590	88,935
Depreciation and amortization	**113,925**	112,692	113,063
Asset impairments	**30,082**	6,513	—
	1,406,571	1,443,146	1,419,049
OPERATING INCOME	**240,296**	251,151	304,608
OTHER (INCOME) EXPENSE:			
Interest expense, net	**39,535**	45,126	58,363
Expenses associated with debt refinancing transactions	**—**	36,528	2,099
Other income	**(1,204)**	(100)	(333)
	38,331	81,554	60,129
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**201,965**	169,597	244,479
Income tax (expense) benefit	**(6,943)**	134,995	(87,513)
INCOME FROM CONTINUING OPERATIONS	**195,022**	304,592	156,966
Loss from discontinued operations, net of taxes	**—**	(3,757)	(205)
NET INCOME	**$ 195,022**	$ 300,835	$ 156,761
BASIC EARNINGS PER SHARE:			
Income from continuing operations	**$ 1.68**	$ 2.77	$ 1.58
Loss from discontinued operations, net of taxes	**—**	(0.03)	—
Net income	**$ 1.68**	$ 2.74	$ 1.58
DILUTED EARNINGS PER SHARE:			
Income from continuing operations	**$ 1.66**	$ 2.73	$ 1.56
Loss from discontinued operations, net of taxes	**—**	(0.03)	—
Net income	**$ 1.66**	$ 2.70	$ 1.56
REGULAR DIVIDENDS DECLARED PER SHARE	**$ 2.04**	$ 1.97	$ 0.60
SPECIAL DIVIDENDS DECLARED PER SHARE	**$ —**	$ 6.66	$ —

The accompanying notes are an integral part of these consolidated financial statements.